

DDA 87-1789
25 August 1987

NOTE FOR:



FROM: William F. Donnelly
Deputy Director for Administration

SUBJECT: Your Paper About the Report of the Human Resource
Modernization and Compensation Task Force



1. Your paper is interesting and I have found it well worth reading. I am asking the D/OP to have  share it with the HRTF members and alternates. I think they need to read it.

2. Where a check appears in the margin, I tend to agree with you. Where an "x" appears, I think you lack some of the facts or are misinterpreting. Where a hyphen appears, we disagree.

3. However, above and beyond your paper the debate that the HRTF report has caused and is now going on is the important development/accomplishment. I want to wake up managers and management, not just at the DD level but down into the system where it counts. You are dead right when you indicate in your paper that management is key. But further, above and beyond your paper, is my desire to separate this Agency from the GS system as managed by OPM, to make us independent of and more able to be unique--somewhat like the Foreign Service and the uniformed military services.

4. Thanks for joining the debate.



William F. Donnelly

14 August 1987

MEMORANDUM FOR: Director of Personnel

FROM:

Deputy Director for Personnel

SUBJECT: Comments on the Preliminary Report of the Human Resource
Modernization and Compensation Task Force - July 1987

1. My comments will follow the organizational outline of the preliminary report. They are the results of my experience as an Agency employee, manager, and student of organization and management over the past twenty five years plus. As Public Administration is my chosen professional field of practice, I feel my experience and schooling are germane to this subject. Objectivity is the goal of my comments, but being human and a member of the current personnel system, some subjectivity is sure to creep in.

2. Bill Casey's perceptions of the personnel system were colored by the fact that during his tenure the Agency was not able to meet his expectations for personnel staffing. In my opinion, this perception formed the basis for his speech to the SSCI. He failed to recognize that historically poor management policies and practice, not our inability to recruit or retain people, were the causes for the repeated failures of meeting our authorized staffing levels. He overlooked the fact that the Agency grew by [] employees during his tenure. His focus was on the inability to meet one directorate or another's needs as expressed by the various senior managers of those directorates. A case can be made, however, that, in fact, the directorates were growing at a rate faster than they could manage. The current personnel mix problems are evidence of the poorly managed growth. Hence, management was and still is the real issue, not the personnel system, the recruitment system, or the pay system.

3. The issue of recruitment and retention is not a good rationale for developing a new personnel system. We are not having problems either recruiting or retaining personnel. Evidence: (1) We reached the Agency's authorized strength in July 1987, three months prior to the end of the fiscal year; (2) We have six to eight applicants for most job openings; and (3) Our separation rate continues to decline from a point that was already the lowest in the U.S. Government and lower than most major firms in private industry. Further, I have changed my mind after considerable study on the impact of future demographics on our ability to recruit and retain employees. Our requirements have and are getting smaller as the labor pool shrinks. An increased separation rate will have to be induced for the Agency, because most of the new jobs in our society are at the

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minimum wage and part-time. The security of a good job, a regular pay check, and career track are very appealing to most people. We offer a very attractive employment and career package even with reduced benefits.

4. I do not agree with the Task Force on our ability to implement banding or incentive pay without Congressional approval. The Congress is not about to let the CIA take such a radical step without their approval. It's "pie in the sky" to think otherwise. If the task force members really believe we can change our pay and compensation system without Congressional approval, then I question their understanding of the way the federal government works.

5. Occupationally Defined Bands: The GS system is not showing signs of strain, nor is it too general to meet our existing needs. The special pay scales with their linkages to the GS scale are considered innovations by many. The GS scale is in fact a band system as are the special pay scales. I don't see that the current banding exercises in Commo or the secretarial fields have accomplished anything that could not have been done under the existing GS system, and with considerably less pain and confusion. OPM just adjusted the secretarial grades on the general schedule this last spring for the U.S. government as a whole with very little fanfare. Commo is now starting to face the same problems with their bands that existed with the GS scale. Bunching at the top of the scale, lack of headroom for promotion, and difficulties in adjusting the bands to cover new positions. The GS pay scale is a very tough old bird. It's withstood several amendments, changes, attempts to do away with it, but it always seems to win because it's a system founded on sound principals that can be modified to meet new demands. It's really very flexible.

6. Market Pricing: This proposal ignores a basic principal of any pay system, "equal pay for equal work." This is an internal principal that if disregarded by the organization management it can jeopardize the health and welfare of the organization. Just because a company or group of companies in the private world pay more for one occupation or another, this is not sufficient reason to raise the pay of that occupation within the Agency, without regard to the impact it has on other occupations. In my opinion, this is one of the most flawed concepts in the study, because if equity between occupations within the organization is not taken into account, it will take very short time before morale and production fall. Equity within the organization is more important than equity between the inside and outside world. This is the major reason that true compatibility between government and private industry has not been achieved.

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7. Funding Control: The current system is equally as flexible as the proposed system. It's the managers of the Agency that are not flexible. The concepts of ceiling constraints and position controls will have to be reinvented if abolished. In my years of study, I have not been able to find any organizations that don't have some kind of position and ceiling constraints. The delegation of classification authority can be done under the current system and should have been done years ago. But there must be some central control on position allocation, just as there exists some central controls of the budget system. From this central control will grow grade controls (average grade), but this is not bad. No system can operate without limitations and controls and be successful. Good managers know both organizational and personal limitations and operate within them. I'm afraid our managers don't do as well in this area as they should. Further, without limitations it is virtually impossible to establish accountability in any system. This principal of limitation is really just the recognition of the laws of nature.

8. Incentive Pay: A bonus system is already in place. The fact that it is not used is once again a management failure, not a system flaw that needs to be changed. The proposed system is far too rich for my blood. When you reward over half of an organization's employees with some form of bonus, it can hardly be called a pay for performance or incentive plan.

9. The whole area of performance evaluation and career development is really old hat. These ideas and approaches have been around since the days when guys like Taylor, Maslow, Drucker and others began to study human behavior in the organizational setting. We even made an attempt at a performance plan a few years ago. Remember the LOI (Letter of Instruction) and the AWP (Advanced Work Plan). The current PAR is just the last of a long line of attempts at a better system of evaluation. The only thing constant about the study of evaluation systems is that they are constantly studied, because the perfect one has not been developed. Career Development and Training are the "Motherhood, Apple Pie, and the Flag" of personnel management. When you can't find anything else to write about, then propose change in these two areas. This is not to demean those areas, but they are constantly changing and need constant oversight. They are not central to a personnel system.

10. The one idea, in my opinion, whose time has arrived is the dual track reward system for the specialist versus the manager. This, however, is not a new idea, but then all ideas don't have to be new to be good. It can be instituted under the existing pay scales and interesting enough without congressional, or any other approval. We already have the classification authority to do it. The question is do we have the

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management will to do it? We have bellied up to this proposal several times as an Agency and backed away because we haven't found a solution to the status problem. Managers still own the company and specialist regardless of the pay work for the managers. Hence, the first team, second team complex. If we have the management will to decide who's a manager and who's a specialist, and declare these decisions after fair and open competition, then a specialist pay track makes sense. Because the second team gets status and reward in monetary terms. Otherwise, we're bound to fail. You only accept second place when you can't win first place.

11. The whole area of flexible benefits, annual leave, and other benefits are great ideas...if...they can be obtained and implemented. I have serious reservations that the Congress is going to give us these authorities in today's world, or that we can implement or manage them. Insurance programs are group social programs, and I'm very skeptical that I, as an individual, will be able to purchase either group or individual plans that will meet my needs. I'm not sure that the current system isn't sufficient, if management would just solve the cover problem so that Agency employees could select coverage from the existing group plans. There is a very broad range of choices out there. Further, the Agency should provide the same services to all employees that are provided members of the Association Benefits Plan regardless of the insurance plan. Prompt service and fair adjudication of claims is really the name of the game. Instead of discouraging employees from changing plans for fear of destroying the ABP plan, we need to increase service and choice to all existing plans. The annual leave ideas are really innovative and perhaps the best ones put forth by the task force. However, the downside for these proposals has not been articulated. What happens when the Congressional Committees ask the question, "Why do you have so much excess leave to buy back?" In a period of declining benefits, I'm not ready to risk losing the one very liberal benefit left because we don't have a good answer to this question. The issue of unlimited leave accumulation was controversial when the SES was established. It really isn't a good idea as it defeats the purpose of leave in the first place. Very few companies give more than three to four weeks of annual leave per year and few have a buy back provision. So what we are left with is a very weak position but very liberal leave benefits. I really question the wisdom of raising expectations on this issue, when the risk of having the benefit cut is so great. The leave issue in one facet or another has been questioned by every Congress for the last ten years. Granted, it's high gain, but the risk is equally high.

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12. Occupational Panels are really the easiest part of the whole proposal to establish. They have already been done for the most part. We call them Career Services. The Career Services have already for the most part grouped employees together by occupation. One distinction that needs further definition is the difference between the entry, trainee, junior, middle, senior, and executive levels. This has been done by some Career Services and where it hasn't it could be. The General Schedule is more than flexible enough to accommodate these distinctions. The issue of categorization by Officer, Technical, Clerical, and Wage Board is of our own making and could be changed tomorrow if management so desired. This should be done because it would make the career service occupations even more meaningful.

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13. Lest you think that I am fully negative toward the proposals in the study, let me say that I think the real issue of the role of management and manager was not addressed. The real issue of how we manage the current system or a new system is manager dependent. The inflexibility and lack of accountability is not the system's fault, and a new system won't change this unless the managers are changed. Old managers and new systems tend to produce the same results. I support change through evolution within the current system. The Agency is a great place to work but it can be made better. I simply question the assumption that our current system is outdated and needs wholesale change to gain improvements. Being an old farm boy, I really hesitate to change a working system just for the sake of change. I say let's fix what needs fixing, but not jeopardize our whole system in the process.

SOME RECOMMENDED CHANGES TO THE CURRENT SYSTEM:

What I recommend here can be instituted within the current system and will in my opinion accomplish much of what the task force recommends, without the trauma of overwhelming change and all of the side effects that such change would bring with it.

1. Seek congressional approval to expand the current GS scale to include twenty (20) steps with a growth rate of 50% to 75% from step one to step twenty. (The current GS system is about 30%). For example, if step one of a given grade were \$10,000, then step twenty would be either \$15,000 (50%) or \$17,500 (75%). Drop the annual ingrade for longevity and make the granting of a step dependent on performance as defined in the PAR. This is achievable in my opinion because the linkage to the GS scale is not destroyed and its defensible as a truly performance for pay system. The longevity step is out-dated with yearly (or almost yearly)

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cost of living raises. There is precedence for this, as the Foreign Service used this same logic in 1980 to get their present payscale through the congressional process, which was the last major organizational pay scale change in federal government. It should be noted that Congress demanded linkage to the GS scale, State didn't want to do it.

X 2. Under the above proposed pay scale, promotion would still be determined by a combination of performance and potential, as it should be. I would not like to see a system that promotes people without taking performance into consideration. The task force comes very close to suggesting such a system on page 4 of their report. I'm not sure how one demonstrates ability to assume greater responsibility without adding up the past performance and future potential in some combination, and coming to some subjective judgement as to who should be promoted.

3. Institute a quota system or allocation on the current awards (bonus) system at the office level and then hold the managers responsible for meeting it. Don't leave them to their own devices. They are too miserly. If it is decided based on the available funding that 20% or 30% of the employees can be given awards, then see that the management gives that many awards. If the manager doesn't meet his allocation, please remove the manager, don't change the system.

4. Delegate classification authority within reason to the Directorate and Office levels. Use the existing ceiling position and average grade controls to our favor. Don't let managers cry they are inflexible. This is not the case. Say to an Office Director, "You can structure your work force anyway you like providing you don't violate the following guidelines without Directorate approval:

(a) new positions cannot be added to your table of organization in excess of the average grade of the Agency. This doesn't mean higher graded positions can't be added, it only means that adjustments need to be made to keep balance in the system.

(b) the average grade of your organization cannot be increased without approval of your directorate, (assuming the directorate has extra points to give or not to give).

(c) you can only hire people for your organization where a position exists.

These limitations would allow for control of organizational fluctuations within current authorities and would force a manager to be accountable for his management. It is really a form of budget control because the budget (dollars) determines the number of positions and the average grade.

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4. The performance appraisal system should be changed to a three point system. This is what most managers do with every system anyway. Look at our current system and past systems - we really only use the upper three levels, whether it be P, S, Q, or 5, 6, 7. So I suggest we quit fighting the manager and use a simple system of unsatisfactory, satisfactory, outstanding. With a performance of unsatisfactory, an employee cannot get a step increase or a bonus. Satisfactory earns the right to a step and the right to compete for a bonus. Outstanding gets a bonus and two steps. This would be a performance for pay system, but one that would be fair and equitable to all employees. It might make the managers think more about what they say and do with the evaluations, as money would be directly tied to the performance report. Money has a way of making people pay attention, and it is still the easiest thing I know of to count on to measure accountability. I'm starting to sound like Henry Kissinger, with all of this linkage talk.

5. By keeping the GS scale in this form, we keep equity in the system between various occupations within the organization. If this is not done, we will be asking for real serious management trouble. Once employees get the feeling that the system is not fair and equitable, or that it offers unequal opportunity, it is only a matter of time until the organization stops producing and fails.

✓ 6. A last note, when Iacocca went to Chrysler, he didn't change either the personnel or budget system. What he did over time was change the management team. He recognized that the systems weren't the problem, it was the people operating them. The lack of applied management and leadership skills caused employee morale and production to fall. I don't sense or feel a lack of production or low morale at CIA. In fact, we have a highly motivated producing work force, and pretty damn good budget and personnel system. If we have a weakness, it's with our managers but even they are very good at getting the job done. All in all, we should be very careful about messing up our current system which is built on some very sound principals.

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